

Financial Statements

Porter Township
Midland County, Michigan

March 31, 2008



Porter Township
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INDEPENDENT AUDITOR'S REPORT

Porter Township
Midland County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Porter Township, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township, as of March 31, 2008, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 15, 2008, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Roslund, Prestage & Company, P.C." The script is cursive and fluid, with the ampersand clearly visible.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

August 15, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS



**Porter Township
Midland County
Management's Discussion and Analysis**

We, the Township Board of Porter Township in Midland County, offer citizens of the Township our financial statements with this narrative overview and analysis of the financial activities of Porter Township for the fiscal year ended March 31, 2008.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Porter Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The ***government-wide financial statements*** are designed to provide readers with a broad overview of the Township's finances in a manner similar to a private-sector business.

The ***statement of net assets*** presents information on all of the Township's assets and liabilities, with the difference between the two reported as ***net assets***. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The ***statement of activities*** presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Both the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues. The governmental activities of the Township include general government, public safety, public works, and community and economic development.

The Township adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Porter Township
Midland County
Management's Discussion and Analysis**

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Porter Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: Governmental funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, citizens may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government (i.e. tax collection fund). Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs.

**Porter Township
Midland County
Management's Discussion and Analysis**

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the back of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's Budget to Actual comparison. Required supplementary information can be found in the back of this report.

Financial Highlights

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of Porter Township, total assets, including capital assets, exceeded liabilities by \$349,676 at the close of the most recent fiscal year.

The unrestricted net assets of Porter Township exceeded its liabilities at the close of the most recent fiscal year by \$347,513, which may be used to meet the Township's ongoing obligations to citizens and creditors.

One of the most significant portions of the Township's net assets reflects its careful investment in capital assets (e.g., land, building, equipment) over the years with no related debt remaining to acquire these assets. The Township uses these capital assets to provide services to citizens; consequently, these assets **are not** available for future spending.

Governmental activities increased the Township's net assets by \$9,549.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$347,513, which exceeds the total general fund expenditures for the current year.

**Porter Township
Midland County
Management's Discussion and Analysis**

General Fund Budgetary Highlights

Over the course of the year, the Township Board may amend the budget to take into account events during the year. For the fiscal year ended March 31, 2008 there were no changes made to the budget.

Capital Asset and Debt Administration

Capital Assets. The Township's investment in capital assets for its governmental activities as of March 31, 2008, amount to \$2,163, which is net of accumulated depreciation.

There were no major capital asset events during the current fiscal year.

Long-Term Debt. At the end of the current fiscal year, the Township had no long-term debts outstanding.

Economic Factors and Next Year's Budget and Rates

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in State-shared revenues are a possibility. However, State-shared revenues are expected to remain the same in the 2008-2009 fiscal year as they were in the previous year. The Township budgeted for a slight increase in expenditures to offset the current rate of inflation. Also considered was the low return of interest payments on the Township's investments, all of which figure into the general fund appropriations. These factors were all considered in preparing the Township's budget for the 2008-2009 fiscal year.

The Township presented a balanced budget in the 2008-2009 fiscal year.

No rate increases for sale of cemetery lots or cemetery services rendered are proposed for the coming year. Township revenues from its property tax millage, property tax collection fees and State revenue sharing are expected to be comparable to the previous year. The Township is expecting little change in its revenues for the next fiscal year.

**Porter Township
Midland County
Management's Discussion and Analysis**

Requests for Information

The financial report is designed to provide a general overview of Porter Township's finances for all those with an interest in the Township's finances. Questions concerning any of the additional financial information should be addressed to the supervisor of the Township in writing at: 4103 S. 9 Mile Road, Breckenridge, MI 48615 or by telephone at (989)842-3355.

GOVERNMENT-WIDE FINANCIAL STATEMENTS



**Porter Township
Statement of Net Assets
March 31, 2008**

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash	\$329,834
Property taxes receivable	8,483
Special assessments receivable	11,966
Due from other funds	<u>1,000</u>
Total current assets	<u>351,284</u>
Noncurrent assets	
Cash - restricted	75,194
Capital assets - depreciable, net	<u>2,163</u>
Total noncurrent assets	<u>77,357</u>
Total assets	<u>428,640</u>
Liabilities and net assets	
Liabilities	
Accounts payable	488
Deferred revenue	<u>78,476</u>
Total liabilities	<u>78,964</u>
Net assets	
Invested in capital assets, net of related debt	2,163
Unrestricted	<u>347,513</u>
Total net assets	<u><u>\$349,676</u></u>

**Porter Township
Statement of Activities
for the Year Ended March 31, 2008**

Functions/Programs	<u>Expenses</u>	<u>Program Revenues Charges for services</u>	<u>Net (expense) revenue and changes in net assets</u>
Primary government			
General government	\$88,309	-	(\$88,309)
Public safety	24,438	\$10,367	(14,071)
Public works	148,163	64,049	(84,114)
Community and economic development	<u>10,491</u>	<u>6,019</u>	<u>(4,472)</u>
Total primary government	<u><u>\$271,400</u></u>	<u><u>\$80,435</u></u>	<u>(190,965)</u>
 General revenues			
Property taxes			82,844
State shared revenues			87,376
Unrestricted investment earnings			25,692
Miscellaneous revenues			<u>4,603</u>
Total general revenues			<u>200,514</u>
Change in net assets			9,549
Net assets - beginning of year			<u>340,127</u>
Net assets - end of year			<u><u>\$349,676</u></u>

FUND FINANCIAL STATEMENTS



**Porter Township
Balance Sheet
Governmental Funds
March 31, 2008**

	<u>General Fund</u>
Assets	
Cash	\$329,834
Cash - restricted	75,194
Property taxes receivable	8,483
Special assessments receivable	11,966
Due from other funds	<u>1,000</u>
 Total assets	 <u><u>\$426,477</u></u>
 Liabilities and fund balance	
Liabilities	
Accounts payable	\$488
Deferred revenue	<u>78,476</u>
 Total liabilities	 <u>78,964</u>
 Fund balance - unreserved	 <u>347,513</u>
 Total liabilities and fund equity	 <u><u>\$426,477</u></u>

Porter Township
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Assets of Governmental Activities on the Statement of Net Assets
for the Year Ended March 31, 2008

Total fund balance - governmental funds	\$347,513
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Add: Cost of capital assets	392,650
Deduct: Accumulated depreciation	<u>(390,487)</u>

Net assets of governmental activities	<u><u>\$349,676</u></u>
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Porter Township
Statement Of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended March 31, 2008

	<u>General Fund</u>
Revenues	
Taxes and penalties	\$82,844
Solid waste assessments	64,049
Licenses and permits	6,019
State grants	87,376
Interest and rentals	25,692
Fire/rescue fees	10,367
Other revenues	<u>4,603</u>
Total revenues	<u>280,949</u>
Expenditures	
Legislative	4,135
General government	70,266
Public safety	24,438
Public works	
Drains at large	847
Highways, streets, and bridges	83,267
Solid waste	64,049
Community and economic development	10,491
Other	
Insurance and fringes	13,378
Capital outlay	<u>-</u>
Total expenditures	<u>270,870</u>
Excess of revenues over expenditures	10,079
Fund balance - beginning of year	<u>337,434</u>
Fund balance - end of year	<u><u>\$347,513</u></u>

Porter Township
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
for the Year Ended March 31, 2008

Net change in fund balances - total governmental funds	\$10,079
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Add: Capital outlay

-

Deduct: Depreciation expense

(530)

Change in net assets of governmental activities

\$9,549

**Porter Township
Statement of Net Assets
Fiduciary Funds
Year Ended March 31, 2008**

	<u>Tax Collection Fund</u>
Assets	
Cash	<u>\$1,000</u>
Total assets	<u><u>\$1,000</u></u>
Liabilities	
Due to general fund	<u>\$1,000</u>
Total liabilities	<u><u>\$1,000</u></u>

NOTES TO THE FINANCIAL STATEMENTS



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Porter Township (the Township) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Reporting Entity

The Township is governed by an elected five-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the Township and its component units. In evaluating how to define the Township for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in a reporting entity is made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, *"The Financial Reporting Entity."* In accordance with generally accepted accounting principles, there are no component units to be included in these financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to consumers who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, claims and judgments, are recorded only when payment is due.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fiduciary Fund Financial Statements - Fiduciary funds account for assets held by the Township as a trustee or agency capacity on behalf of others and, therefore, are not available to support Township operations. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township's operations. The Township currently maintains an agency fund to account for the monies collected and paid to various governmental entities for property tax collections.

The Township reports the following major funds:

Governmental Funds - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Budgets and Budgetary Accounting

Budgets are adopted by the Township for the general fund. The budget is adopted and prepared on the modified accrual basis of accounting. The budget is adopted at the function level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

The Township does not maintain a formalized encumbrance accounting system.

Property Taxes

Property taxes are levied on each December 1st on the taxable valuation of property located in the Township as of the preceding December 31st. These taxes are due on February 14th with the final collection date of February 28th before they are added to the county delinquent tax rolls.

For Township operations, the 2007 Taxable Valuation of the Township totaled \$29,390,250 on which 1.2554 mills were levied. The Township also levied 1.00 mills for road projects.

The total 2007 levy for the Township was \$66,287.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Deposits

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit.

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township's deposits are in accordance with statutory authority.

Receivables

Receivables have been recognized for all significant amounts due the Township in accordance with the accounting principles used for the particular fund. Valuation reserves have not been provided since their collection is not considered doubtful and any uncollected amounts would be immaterial.

Inventories

Inventories, which are immaterial in amount, are not recognized as an asset in these financial statements. Inventories are recorded as expenditures at the time of purchase in the governmental and proprietary fund types.

Capital Assets

Capital assets, which include property, plant and equipment, of the governmental activities are reported in the governmental column in the government-wide financial statements. Capital assets of the proprietary funds are reported in the statement of net assets of the proprietary funds. Capital assets are defined by the Township as individual assets with an initial cost equal to or more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The Township does not have infrastructure type assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized. No interest expense was incurred during the current year.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets of the Township are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Computers	3
Furniture & Fixtures	5
Equipment	5
Buildings & Improvements	25

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted at the function level and on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end. The Township does not maintain a formalized encumbrance accounting system. The budgeted revenues and expenditures, as presented in this report, include any authorized amendments to the original budget as adopted.

Excess of Expenditures over Appropriations

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2008, the Township incurred expenditures in excess of the amounts appropriated as shown in the back of this report.

NOTE 3 - DETAILED NOTES

Cash and Cash Equivalents

At March 31, 2008, the carrying amount of the Township's cash and cash equivalents was as follows:

Cash Deposits	\$201,366
Cash Deposits – Restricted	75,194
Certificate of Deposit	129,468
Total	\$406,028

Restricted Cash

Restricted cash includes amounts restricted for solid waste removal and road improvements.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be recovered. At March 31, 2008, the carrying amount of the Township's deposits was \$406,028 and the bank balance was \$405,786. Of the bank balance, \$228,960 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits government funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Investments

State statutes authorize the Township to invest in obligations and certain repurchase agreements of the United States Treasury and related governmental agencies, commercial paper, banker's acceptances of the United States banks, obligations of the State of Michigan or any of its political subdivisions, and mutual funds composed entirely of the above investments. As of March 31, 2008, the Township had no such investments.

The Township's investment policy complies with the State statutes and has no additional investment policies that would limit its investment choices.

Interest Rate Risk – Investments

Under State statutes, investment in commercial paper is limited to maturities of not more than 270 days after the date of purchase. The Township's investment policy does not place any

further limitations on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – Investments

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Township will not be able to recover the value of its investments that are in the possession of an outside party. The Township requires all security transactions, including collateral for repurchase agreements, to be made on a cash basis or a delivery vs. payment basis. Securities may be held by a third party custodian and must be evidenced by safekeeping receipts. The Township does not have any additional policies for custodial credit risk over investments.

Credit Risk

State statutes limit investments in commercial paper to be rated at the time of purchase within the three highest classifications established by not less than two standard rating services. Investments in obligations of the State of Michigan or its political subdivisions must be rated as investment grade by not less than one rating service. Investments in bonds, obligations, or repurchase agreements must be made with the U.S. Treasury and banker's acceptances with United States banks. The Township's investment policy limits investments to be made with prudent judgment as to the safety of the invested capital and probable outcome of income.

Concentration of Credit Risk

The Township places no limit on the amount it may invest in any one issuer.

Due From/To Other Funds

The amount of "Due From/To Other Funds" represents property taxes collected and held in the Agency fund that are due to the General Fund.

Porter Township
Notes to Financial Statements
March 31, 2008

Capital Assets

A summary of changes in general fund capital assets follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Buildings & Improvements	\$367,000	-	-	\$367,000
Furniture & Fixtures	15,000	-	-	15,000
Equipment	6,650	-	-	6,650
Computers	4,000	-	-	4,000
Sub-totals	392,650	-	-	392,650
Accumulated Depreciation	(388,094)	(\$2,393)	-	(390,487)
Totals	\$4,556	(\$2,393)	-	\$2,163

Depreciation expense was charged to the general government function.

Risk Management

The Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The Township has purchased commercial insurance from independent insurance providers. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

Deferred Revenue

Deferred revenue represents taxes collected for solid waste removal and road improvements in excess of the amount expended as follows:

Deferred Revenue	Amount
Solid Waste Removal	\$47,272
Road Improvements	31,204
Total	\$78,476

Employees Retirement System – Defined Contribution Pension Plan

Plan Description

Porter Township participates in the John Hancock Defined Contribution Pension Plan for Michigan Township Employees. The name of the plan is the Porter Township Group Pension Plan.

All members of the Township Board and all Township Employees are eligible to participate in the plan. As of March 31, 2008, the pension plan's current membership was 10 employees.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined. The amounts participants receive depend solely on the amount contributed to the participant's account and the returns earned on those contributions.

Funding Policy

The Township is required to make annual contributions based on 7.5% of compensation as defined in the plan document. Employees can make voluntary contributions up to a maximum of 75% of their compensation. Contributions made either by employees or the Township shall be 100% vested upon a participant's death, disability, or normal retirement, or upon the termination of the plan.

During the year, the Township's actual contributions to the plan amounted to \$2,931.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

Building Inspection Department Fund

Public Act 245 of 1999 was signed on December 28, 1999 and took immediate effect. This act amends the State Construction Code Act (Public Act 230 of 1972) and requires, among other things, the establishment of a special revenue fund to account for the revenues and expenditures associated with issuing building permits, examining plans and specifications, inspecting construction before issuing permits, and issuing certificates of use and occupancy.

The Township has not established this fund because the fee structure is not intended to recover the full cost and the Township has the ability to track the full cost and revenues of this activity without creating a separate fund.

The revenues generated under this act for the year ended March 31, 2008 were \$6,987. The expenditures incurred for this activity during the year ended March 31, 2008 were \$10,491.

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE



Porter Township
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Budget to Actual
Year Ended March 31, 2008

	<u>Budget</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues				
Taxes and penalties	\$85,004	\$85,004	\$82,844	(\$2,160)
Solid waste assessments	64,050	64,050	64,049	(1)
Licenses and permits	6,000	6,000	6,019	19
State grants	89,600	89,600	87,376	(2,224)
Interest and rentals	21,000	21,000	25,692	4,692
Fire/rescue fees	3,400	3,400	10,367	6,967
Other revenues	3,400	3,400	4,603	1,203
Total revenues	<u>272,454</u>	<u>272,454</u>	<u>280,949</u>	<u>8,495</u>
Expenditures				
Legislative	4,510	4,510	4,135	375
General government	74,979	74,979	70,266	4,713
Public safety	34,500	34,500	24,438	10,062
Public works				
Drains at large	900	900	847	53
Highways, streets, and bridges	88,250	88,250	83,267	4,983
Solid waste	65,792	65,792	64,049	1,743
Community and economic development	12,080	12,080	10,491	1,589
Other				
Insurance and fringes	13,550	13,550	13,378	172
Capital outlay	-	-	-	-
Total expenditures	<u>294,561</u>	<u>294,561</u>	<u>270,870</u>	<u>23,691</u>
Excess of revenues over expenditures	(22,107)	(22,107)	10,079	32,186
Fund balance - beginning of year	<u>337,434</u>	<u>337,434</u>	<u>337,434</u>	-
Fund balance - end of year	<u><u>\$315,327</u></u>	<u><u>\$315,327</u></u>	<u><u>\$347,513</u></u>	<u><u>\$32,186</u></u>



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Township Board
Porter Township
Midland County, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Porter Township as of and for the year ended March 31, 2008, which collectively comprise Porter Township's basic financial statements and have issued our report thereon dated August 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Porter Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We consider the deficiencies described as 2008-1 and 2008-2 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above as 2008-1 and 2008-2 are not material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Porter Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to management in a separate letter dated August 15, 2008.

Porter Township's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Township's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of management, Township Board, federal awarding agencies, pass-through entities and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Roslund, Prestage & Company, P.C."

Roslund, Prestage & Company, P.C.
Certified Public Accountants

August 15, 2008

Finding 2008-1

Finding considered a significant deficiency

Effective for the year ended March 31, 2008, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (Issued May 2006) requires us to communicate in writing when a client requires assistance to prepare the financial statements and related footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

The annual financial statements for the year ended March 31, 2008 required numerous audit adjustments, most of which the staff was aware needed to be recorded. The staff of the Township does understand all information included in the annual financial statements; however, we assist in preparing the financial statements and related footnotes.

We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

Client Response

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We expect this situation to be ongoing in future years.

Finding 2008-2

Finding considered a significant deficiency

The Township currently does not have a policy that requires someone other than the preparer (i.e. other members of the Township Board) review all completed bank reconciliations on a monthly basis.

Internal control is most effective when the bank reconciliations are prepared by someone not responsible for entries in the receipts and disbursements records. Inasmuch as this is difficult because of the small number of employees, we recommend that this review procedure be incorporated into the formal accounting policies and performed monthly. This review should include scanning the reconciling items for any unusual items and tracing the reconciled balance to the financial statements.

At the same time we also recommend that the reviewer open the bank statements and review them for any unusual transactions. The review of the bank statement will ensure that unusual items are investigated on a timely basis.

Porter Township
Schedule of Findings and Responses

All reconciliations should be signed and dated by individuals preparing them as well as by the reviewers. As a prompt to the preparer and reviewer/approver to sign the reconciliation, preprinted reconciliation forms could include a signature block with space for the signatures, or a stamp with a signature block could be applied to the reconciliations.

Client Response

We are aware of this deficiency and we are in the process of establishing formal procedures and incorporating these procedures into our accounting policies as recommend.



Management Letter

Members of the Board
Porter Township

In planning and performing our audit of the financial statements of Porter Township for the fiscal year ended March 31, 2008, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our audit report dated August 15, 2008, on the financial statements of Porter Township.

We will review the status of these comments during our next audit engagement. We have discussed these comments and suggestions with management, and will be pleased to discuss them in further detail at your convenience.

Sincerely,

A handwritten signature in black ink that reads 'Roslund, Prestage & Company, P.C.'.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

August 15, 2008

STATUS OF PRIOR YEAR COMMENTS AND RECOMMENDATIONS

We were pleased to see that management has implemented several of the recommendations we included in our previously issued Management Letter. We commend you on your efforts to strengthen internal controls and operating efficiencies.

CURRENT YEAR COMMENTS AND RECOMMENDATIONS

Organizational Structure

The size of the Township's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Township Board remains involved in the financial affairs of the Township to provide oversight and independent review functions. For example, we recommend that a member of management open the bank statements and review them for any unusual checks or other transactions before giving them to the Treasurer to perform the reconciliation. Then, after the bank reconciliation is completed, we recommend that management review the reconciliations for any unusual items. Once these reviews are completed, the bank statements and reconciliations should be initialed by the reviewer as evidence that the review had taken place. Management's review of the bank statements and reconciliations will ensure that unusual items are investigated on a timely basis.

Uninsured Bank Deposits

During recent months the financial market has seen significant fluctuations leading many to question the security and availability of bank deposits held in financial institutions. Although most banks insure deposits through the Federal Deposit Insurance Corporation (FDIC), there are limits to that coverage.

It is our understanding that the current limits for FDIC insured balances are \$100,000 for demand accounts (checking) and \$100,000 for time deposit accounts (savings/certificates of deposit). Governmental units may also request certain funds be collateralized by the bank. There are also other options regarding the investment of surplus funds including investment pools, treasury investments, and commercial paper.

We are not investment advisors. However, we encourage you to meet with your investment representatives to review all of your options regarding surplus funds. We also recommend you review your investment policies to ensure it continues to satisfy the Township's goals.